Segmenting in Retail



Market Segmentation

Market Segmentation

Is the dividing of a heterogeneous consumer population into smaller, more homogeneous groups based on their characteristics.



Getting into the Consideration Set

- Increase Performance Beliefs of Your Store
- Decrease Performance Beliefs About Competitor
- Increase Importance Weight of Attributes on which You Have an Advantage
- Add a New Benefit on which You Excel



Types of Purchase Decisions

Extended Problem Solving -High financial or Social Risk

Limited Problem Solving -Some Prior Buying Experience

Habitual Decision Making -Store Brand, Loyalty



Greg Kuchik/Getty Image







Extended Problem Solving

Consumers devote time and effort analyzing alternatives

- Financial risks purchasing expensive products or services
- Physical risks purchases that will affect consumer's health and safety
- Social risks consumers will believe product will affect how others view them



What Retailers Need to do for Customers Engaged in

Extended Problem Solving

Provide a Lot Information

-Use Salespeople rather than advertising to communication with customers

Reduce the Risks

-Offer Guarantees -Return Privileges





Purchase decisions process involving moderate amount of effort and time Limited Problem Solving

- Customers engage in this when they have had prior experience with products or services
- Customers rely more on personal knowledge
- Majority of customer decisions involve limited problem solving



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What do Retailers Need to do for Customers Engaged in Limited Problem Solving?

- It depends...
- If the Customer Is Coming to You, Provide a Positive Experience and Create Loyalty
 - Make Sure Customer is Satisfied
 - Provide Good Service, Assortments, value
 - Offer Rewards to Convert to Loyal Customer
- If the Customer Goes to Your Competitor's Store, Change Behavior
 - Offer More Convenient Locations, Better Service and Assortments



Encouraging Impulse Buying

- Have Salespeople Suggest Add-ons
- Have Complementary Merchandise Displayed Near Product of Interest
- Use Signage in Aisle or Special Displays
- Put Merchandise Where Customers Are Waiting





Habitual Problem Solving

Purchase decision process involving little or no conscious effort

- For purchases that aren't important to the consumer
- For merchandise consumers have purchased in the past
- For consumers loyal to brands or a store







Criteria for Evaluating Segmentation Schemes

- Actionability
- Identifiability
- Accessibility
- Stability
- Size



3 Special Market Segments

*In-Home Shoppers
Online Shoppers
Outshoppers



In-Home Shoppers



- Shopping is discretionary, not necessary
- Convenience is important
- Active, affluent, welleducated
- Self-confident, younger, adventuresome
- Time scarcity is not a motivator



Online Shoppers



- Use of Web for decisionmaking process as well as buying process
- Convenience is important
- Above average incomes, well-educated
- Time scarcity is a motivator



Out-Shoppers



- Out-of-hometown shopping
- Male, young, members of a large family, and new to the community
- Income and education vary
- They like to travel, enjoy fine food, are active, and read out-of-town newspapers



Demographics of Indian Shoppers

- Population Growth
- Life Expectancy
- Age Segmentation
- The Middle Class
- The Rural Shoppers
- Number of Households and household size
- Changing shopper profile
- Socio cultural profile.



Psychographic Profile of Indian Shoppers

• <u>Segments of Men</u>

Indian men has shown four board groups:

- ✓ The traditional man
- ✓ The pleasure seeker
- ✓ The social chameleon
- \checkmark The intrinsic progressive man



<u>Segments of Women</u>

Indian women can be categorized in the following manner:

- ✓ The contented conservative
- ✓ The archetypal provider
- ✓ The anxious rebel
- ✓ The troubled homebody
- ✓ The tight-fisted traditionalist
- ✓ The affluent sophisticate
- ✓ The contemporary housewife



Youth Segments

Youth has been classified into five psychographic segment such as :

- ✓ Homebodies
- ✓ Two-faced youths
- ✓ Wannabes
- ✓ Rebels
- ✓ Cool guys



Lifestyle Trends

- Woman becoming assertive
- Time pressure on women
- Working couples
- Looks-oriented career males

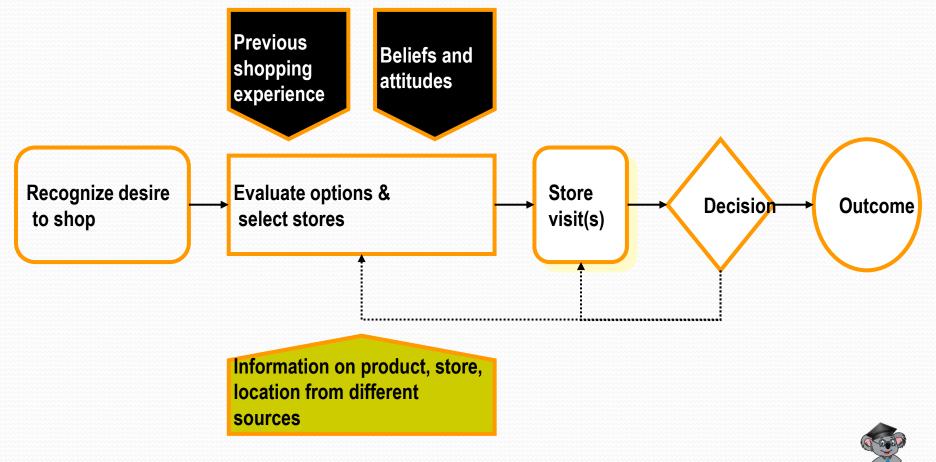


Behaviour based segmentation

- Choice optimizers
- Premeditated shoppers
- Economizing shoppers
- Support Seekers
- Frequent Shoppers vs Infrequent Shoppers
- Recreational shoppers



How consumers Develop Loyalty Towards a Store



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